
Global Rebalancing: Implications for China

IMF Economic Forum

China in the Global Economy: Prospects and Challenges

October 19, 2004

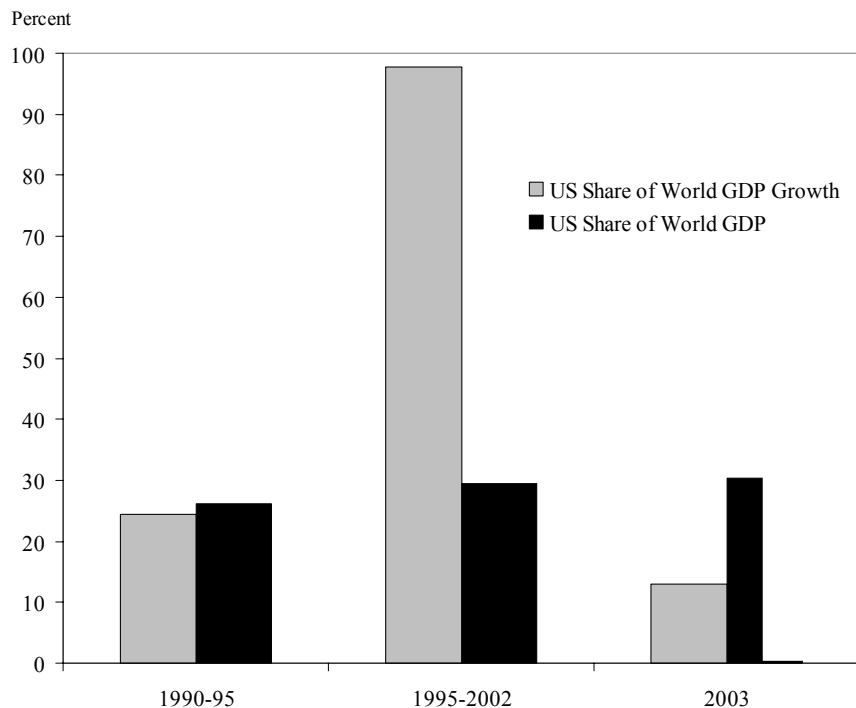
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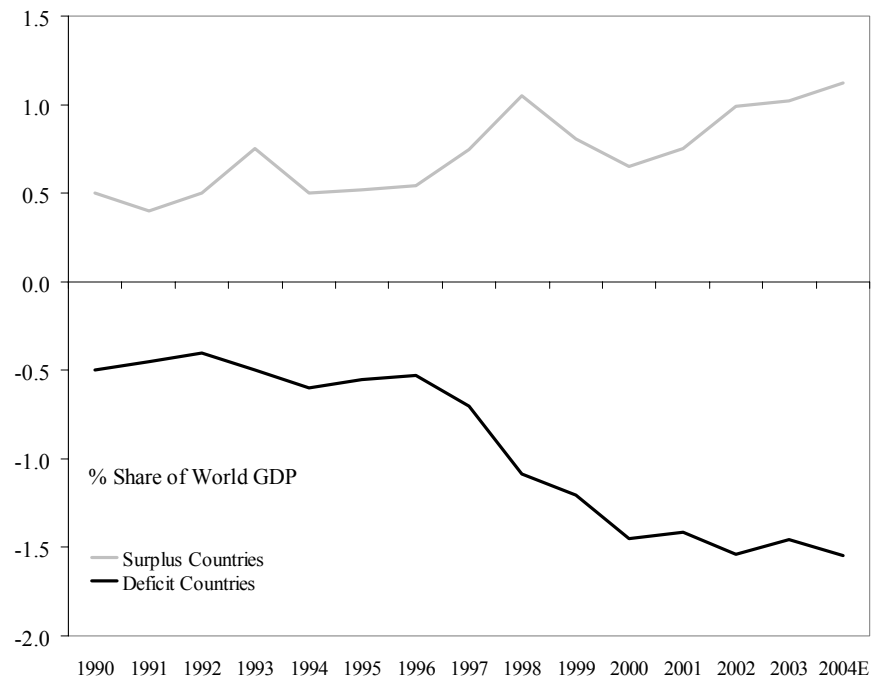
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Global Imbalances

Lopsided Global Economy



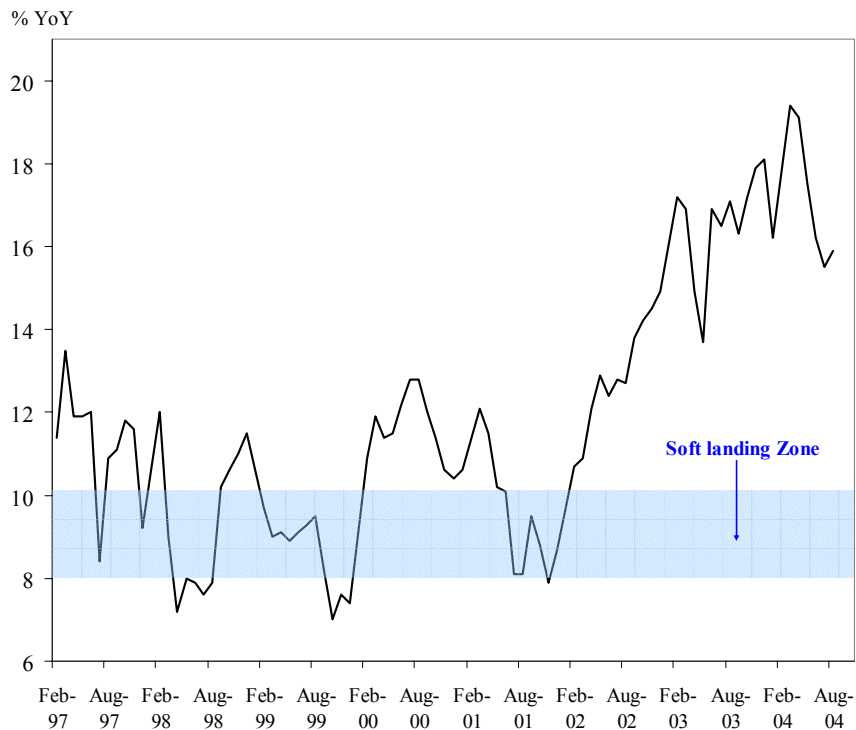
Global Current Account Balances



Source: IMF, Morgan Stanley Research

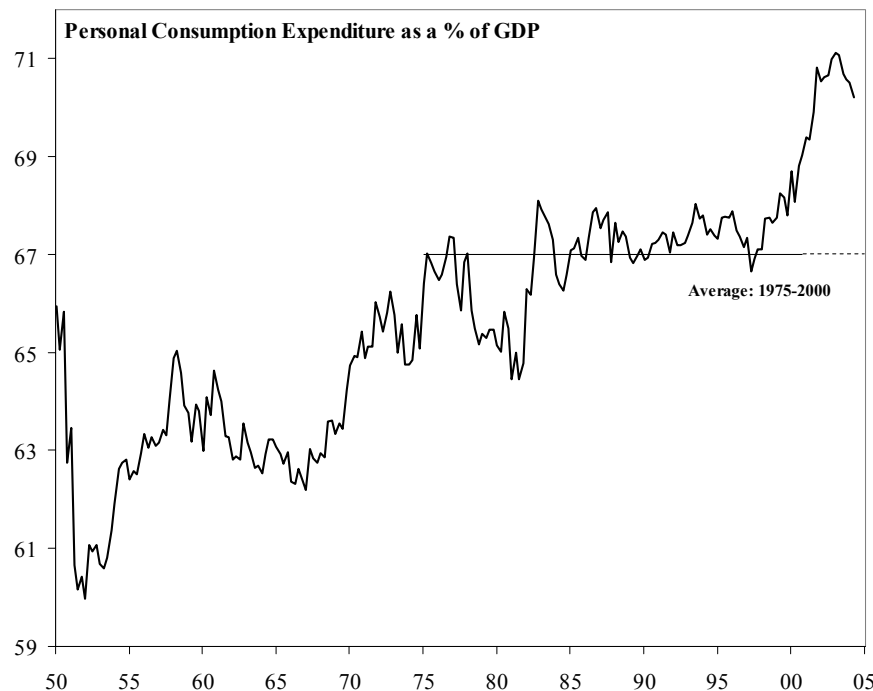
The World's Two Overheated Engines

Chinese Industrial Production



Source: China National Bureau of Statistics, Morgan Stanley Research

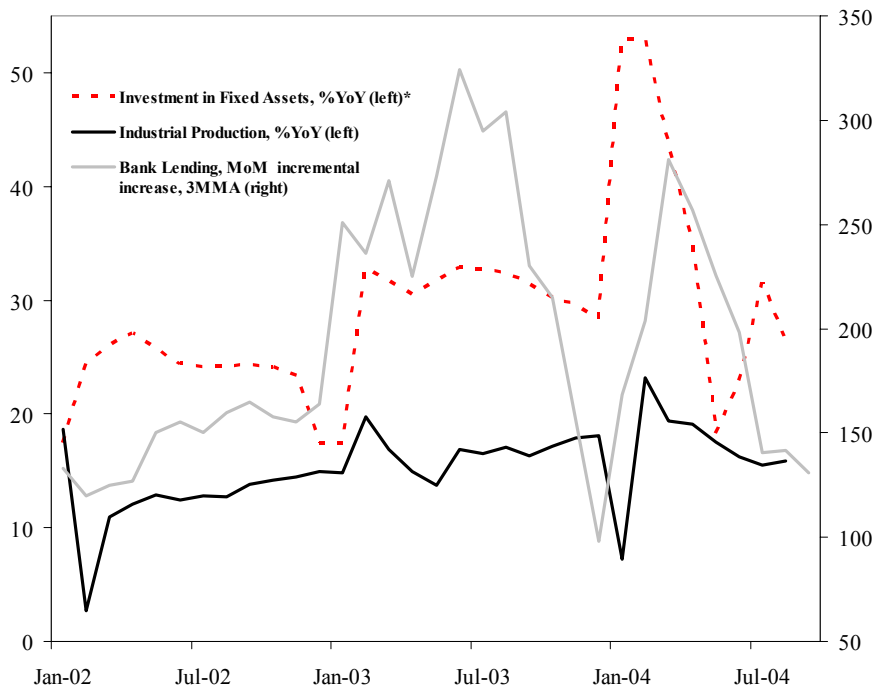
US Personal Consumption



Source: U.S. Bureau of Economic Analysis, Morgan Stanley Research

Progress Report on the China Slowdown

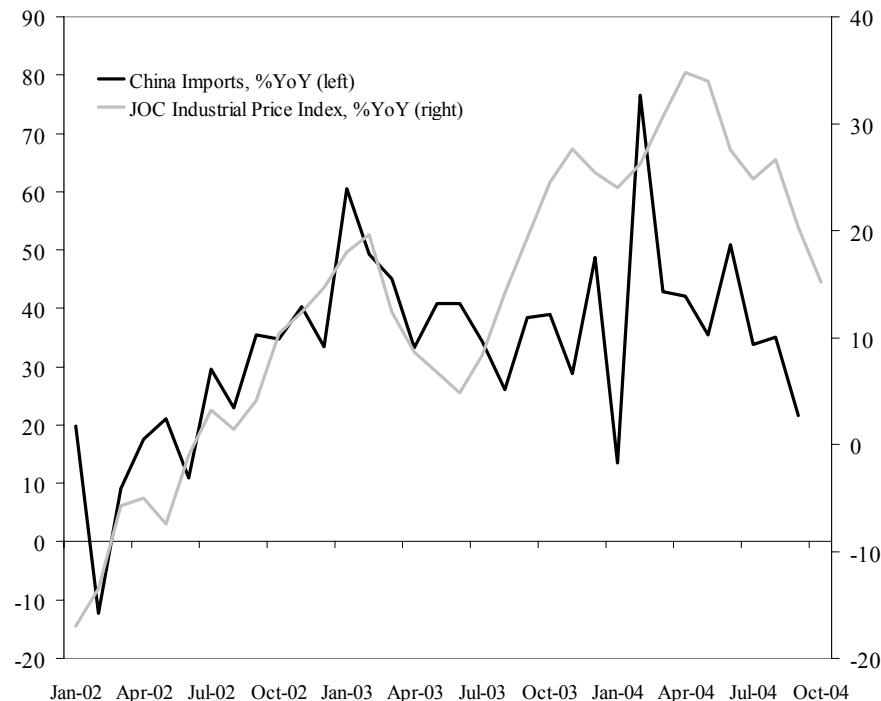
China Is Starting to Slow . . .



* Due to issues related with statistical methodology, data prior to Jan 2004 are presented on a YTD basis.

Source: China National Bureau of Statistics, People's Bank of China, Morgan Stanley Research

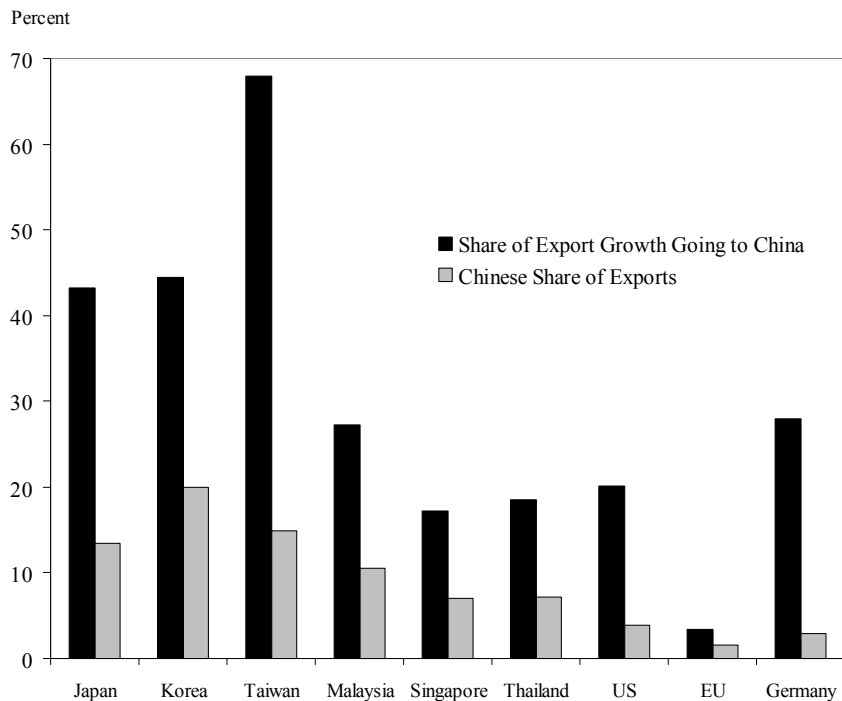
Especially Imports & Commodity Demand



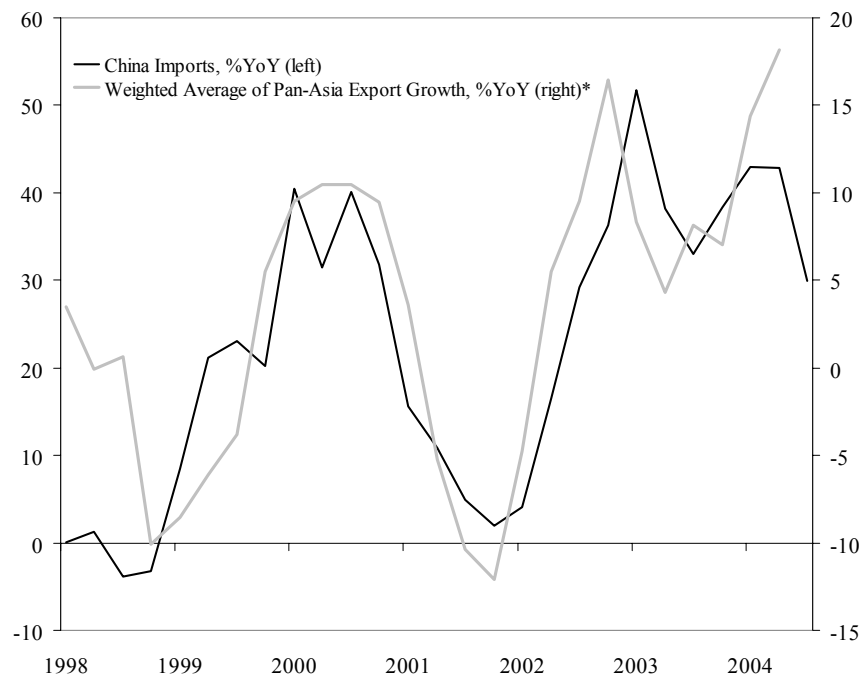
Source: China Customs, Journal of Commerce, Morgan Stanley Research

China Linkages: Pan-Asian Trade

Chinese-Led Global Linkages: 2003



China: New Engine of Asia

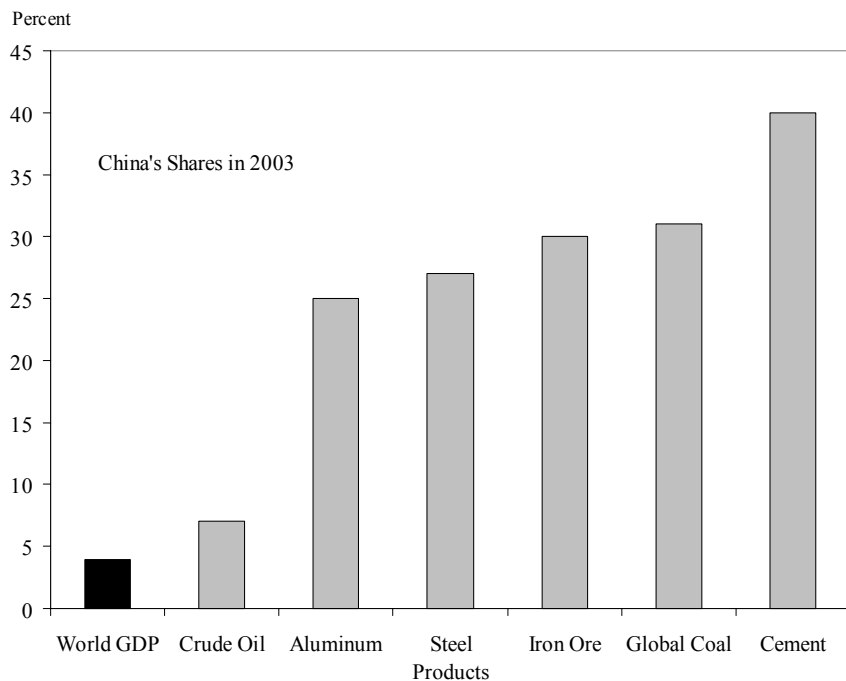


* Pan-Asia here includes Japan, Korea, Taiwan, Hong Kong, and Singapore; nominal GDP weighted.

Source: National Sources, IMF, Morgan Stanley Research

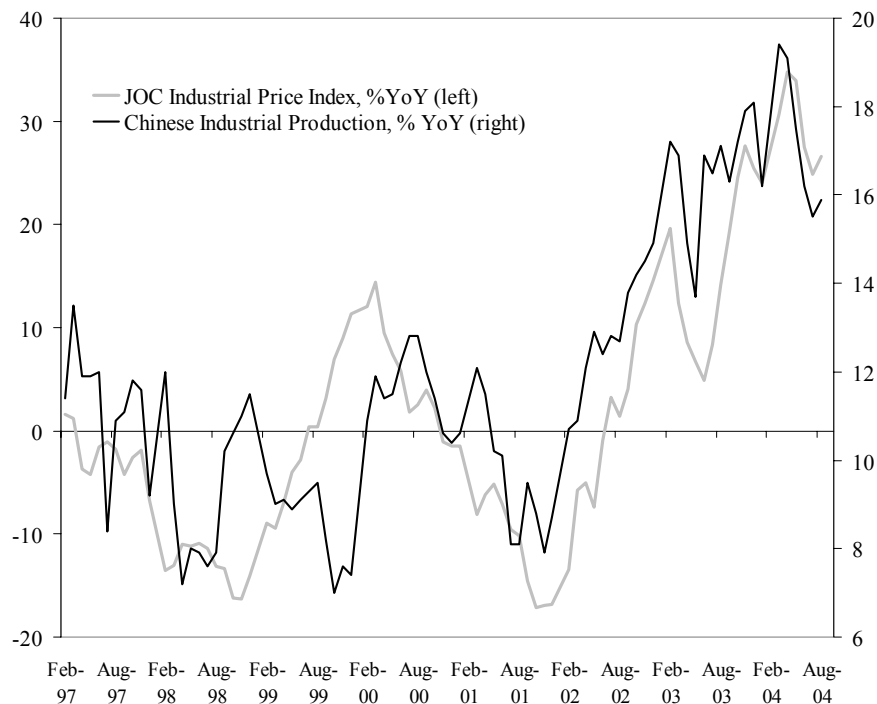
China Linkages: Commodity Markets

Surging Chinese Materials Demand



Source: Morgan Stanley Research

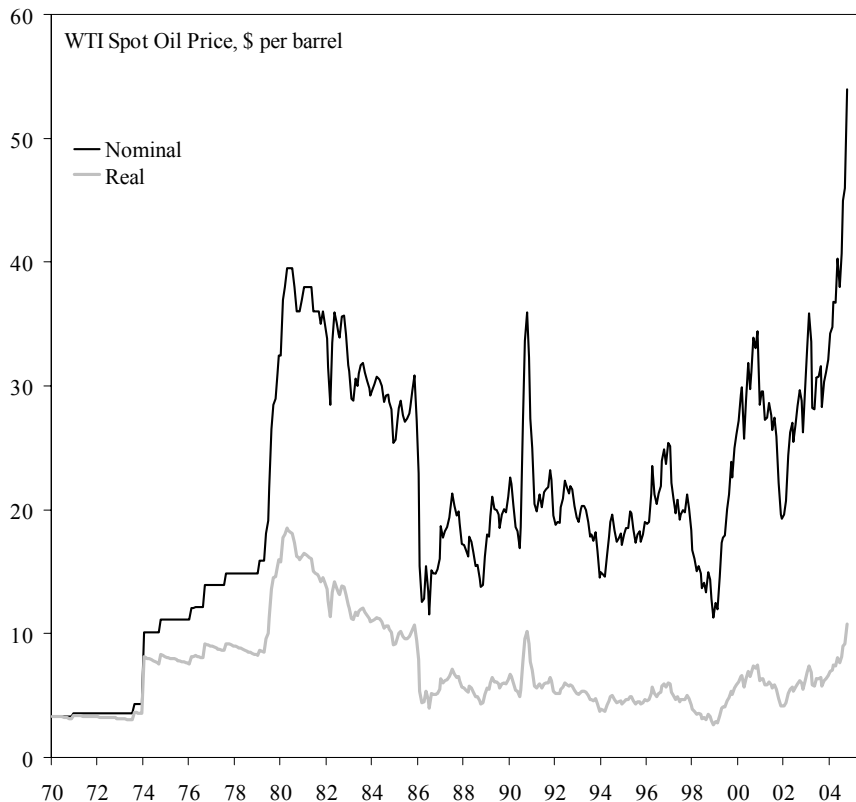
Chinese Overheating & Commodity Prices



Source: JOC, China National Bureau of Statistics

Another Oil Shock?

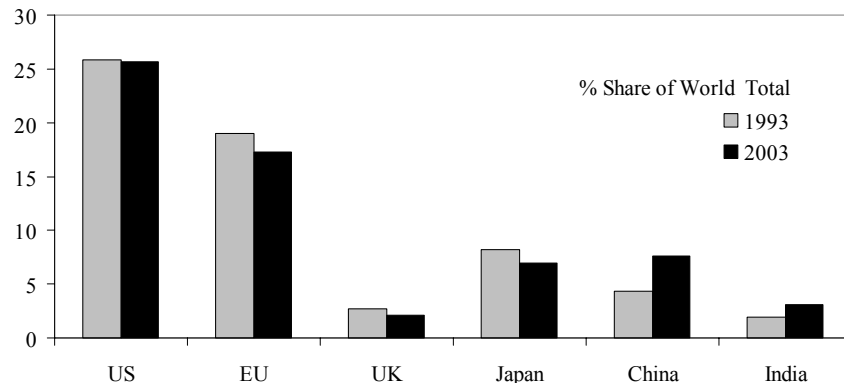
Oil Prices



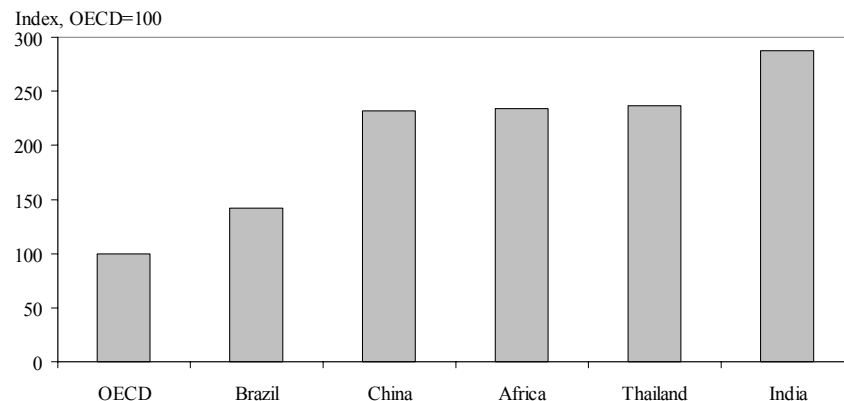
* Posted price prior to 1982; Real WTI is the nominal price deflated by headline CPI.

Source: Wall Street Journal, Bureau of Labor Statistics, IEA, BP, Morgan Stanley Research

Shifting Mix of World Oil Consumption



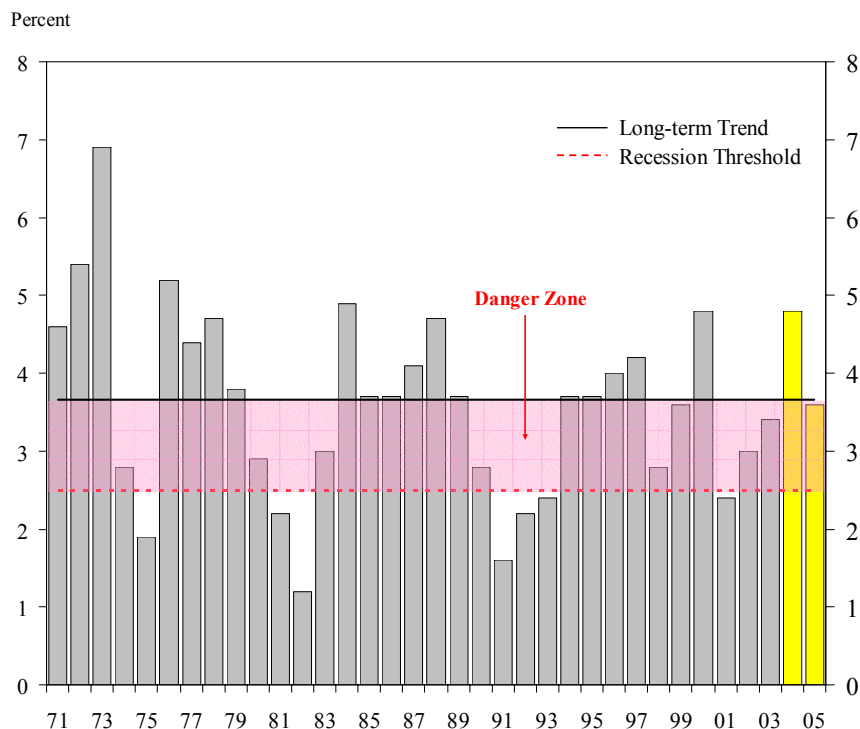
Oil Intensity



* Primary oil consumption per unit of GDP; data are for 2002.

Global GDP Forecast

World GDP Growth



Source: IMF, Morgan Stanley Research

World Growth at a Glance

GDP	2002	2003	2004E	2005E
Global	3.0%	3.4%	4.8%	3.6%
US	2.4	3.0	4.5	3.5
Europe	1.0	0.8	2.1	1.9
Emerging Europe	4.1	5.1	6.4	5.5
Japan	-0.3	2.4	4.4	1.0
Asia ex-Japan	6.1	6.3	7.2	5.5
China	8.3	9.3	9.5	7.0
India	4.7	7.0	6.3	5.8
Latin America	-0.2	1.3	5.1	3.4

Source: Morgan Stanley Research

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(as of September 30, 2004)

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	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight	626	34%	250	38%	40%
Equal-weight	848	46%	308	47%	36%
Underweight	353	19%	98	15%	28%
Total	1,827		656		

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